

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission)	
On Its Own Motion)	
vs)	
Commonwealth Edison Company,)	
The Peoples Gas Light and Coke Company,)	
North Shore Gas Company)	
Ameren Illinois Company d/b/a)	ICC Docket No. 15-0403
Ameren Illinois,)	
Northern Illinois Gas Company d/b/a)	
Nicor Gas Company)	
Independent Evaluator's Evaluation)	
Report on the Electric and Gas)	
On-Bill Financing Programs)	
Required by Sections 16-111.7 and)	
19-140 of the Public Utilities Act)	

INITIAL COMMENTS OF THE CITIZENS UTILITY BOARD

Now comes the Citizens Utility Board (“CUB”) to submit these Verified Initial Comments for the consideration of the Illinois Commerce Commission (“ICC” or “the Commission”) as it drafts a report to the Governor and Illinois General Assembly concerning the on-bill financing program (“OBF”). CUB has participated in the various ICC dockets and stakeholder discussions relating to this successful program, and looks forward to working with the Commission and stakeholders to make OBF even more successful. While there are program design elements which can be improved, OBF has been a successful program and CUB looks forward to its continuation for many years to come. The Commission letter to the Governor and General Assembly should indicate that the program should be continued. Please note that in these Initial Comments, CUB is not addressing all aspects of the OBF program; CUB reserves the right to file Reply comments should a response to any initial comments be necessary.

Interest Rate

In the “Conclusions and Recommendations” section of the Cadmus Evaluation of the OBF program, Conclusion 1 reads, “The unique benefits of the financing program model are attractive to consumers, and result in added savings for the utilities.” One of the unique benefits of an OBF program is the low interest rate. This means consumers that need to borrow money to make their homes more efficient do so at an interest rate that is not usurious. At the time of the Cadmus Evaluation the interest rate for loans for owners in single family homes was 4.99%, the interest rate as subsequently been raised to 5.74%. This is a concerning development. The interest rate should be even lower than 4.99% and certainly lower than 5.74% because there is absolutely zero risk to the lender the way the OBF is structured. The Commission should contemplate rebidding the finance pool to another lender, as the increase in the interest rate is unacceptable for the single family program. At the very least the Commission should place the interest rate issue on its radar as one to monitor. The multifamily interest rate has also risen, but CUB understands that this was at least partly done to compensate Community Investment Corporation (“CIC”) for work they will be performing as part of the multifamily lending team. CIC’s work as critical to the multifamily component of OBF and CUB does not take issue with the multifamily OBF interest rate rising slightly.

Customer Eligibility

Cadmus found in its evaluation of the OBF program that the denial rate of program applicants was just under 50%. That is an unfortunate statistic for those consumers who were trying to improve their utility bills through energy efficiency. From a ratepayer perspective, the structure of the OBF program means that the lender should be cautious as to who receives financing, as any unpaid bills are passed through uncollectible rider. However, it appears the

credit check threshold has been set too high. Part of the original intent of OBF was to help people invest in energy efficiency who couldn't afford to otherwise. As wonderful as energy efficiency is, it is an investment, and as such requires the expenditure of money in order to save money; though there are benefits that accrue to all customers from energy efficiency, like lower wholesale power prices. However, the Commission and utilities should make the eligibility standards less restrictive in order to lower the denial rate and help frustrated consumers access the program.

Cadmus lists two ways of improving the denial rate; lower the credit score requirement or use bill payment history as a proxy to determine whether a consumer will pay back their loan or not. Cadmus notes that the program already has very low default rates, under 0.16%. There is value in both approaches. However, from an ease of implementation perspective the Commission should direct the utilities and AFC First to simply lower the credit score threshold. CUB understands the current threshold to be a credit score of 640. Cadmus posits to reduce the credit score by "20 or even 40 points" would still put Illinois OBF "within range of other energy efficiency financing programs across the country." Cadmus then states that such a change "could decrease the denial rate by up to nine percentage points." (Cadmus, pg. 93) The Commission should be even more aggressive than a "20 or 40" point reduction and reduce the threshold from 60 to even 80 points below where it is today.

CUB has supported bill payment history as a proxy in the past. However, at this time, the least cost avenue of decreasing denial rates seems to be simply lowering credit score threshold. The same theory is used to support both expansions of criteria: OBF loans are more likely to be paid back because the charges appear on a bill people need to pay in order to maintain access to an essential service. It is for this reason that CUB is comfortable recommending a 60 to 80 point

reduction in the minimum allowable credit score to participate in OBF. For this reason the credit score threshold should be lowered.

Multifamily Customers

The multifamily portion of the utility OBF programs is one CUB would truly like to see grow and flourish. The on bill repayment mechanism is a tool that could be very useful to multifamily buildings. As mentioned earlier, CIC will bring a great deal of knowledge and expertise to the multifamily portion of the Program. However, OBF single family lending and multifamily lending are two different arenas entirely. The underwriting of a multifamily loan looks at building occupancy rates and cash flows, where as a single family loan doesn't involve much for than a credit check and determining whether the applicant is in fact the owner.

Cadmus points to a couple of recommendations for the multifamily programs and CUB endorses those recommendations in their entirety. Targeted mailings, one-on-one support, and the staged distribution of funds are all going to be critical components of making the multifamily portion of Illinois OBF programs successful. (Cadmus pg. 94)

The Commission should ensure that all measures offered by the utilities in their Commission approved energy efficiency portfolios are included as eligible measures for OBF. With the passing of legislation to make this possible, there should be no impediments in implementing this recommendation.

Tied to Meter Loans

CUB has always supported this concept and continues to believe that the tying of the loan to the meter could unlock the multifamily rental market to energy efficiency. Tenants have little to no incentive to improve their living space or building since they are renters; OBF which tied to the meter could change all that. Upgrades would stay with the meter, and subsequent tenants

would be responsible for the payments and enjoy the savings. The South Carolina Electric Cooperatives run a very successful OBF program called “Help My House” which ties the loan to the meter. So the concept, while different, does most definitely exist and is being used by other OBF programs in the country.

Conclusion

CUB appreciates the opportunity to weigh-in on the Commission report to the Governor and General Assembly concerning the OBF programs. The Commission should conclude in its Report that the OBF programs should continue.

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Respectfully submitted,



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